

## Message Text

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S E C R E T SECTION 1 OF 3 TAIPEI 1644

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E.O. 11652: GDS

TAGS: MASS, TW

SUBJECT: SECURITY ASSISTANCE ASSESSMENT, FY 76-81

STATE PASS AID

REF: A. STATE 018645 (271854Z JAN 75)

B. STATE 015489 (222321Z JAN 75)

1. SUMMARY:

A. A STRONG ROC DEFENSIVE FORCE REDUCES THE LIKELIHOOD OF THE US BEING CALLED ON TO DEFEND TAIWAN. US INTERESTS ARE SERVED BY AN ROC DEFENSE POSTURE WHICH, WHILE NOT PROVIDING A COUNTER TO EVERY PRC WEAPONS SYSTEM, IS A CREDIBLE DETERRENT TO A PRC ATTACK. IT IS IMPORTANT IN TERMS OF US-PRC RELATIONS THAT ROC MILITARY CAPABILITIES BE DEFENSIVE IN NATURE. HOWEVER, WE SHOULD UNDER CERTAIN CIRCUMSTANCES APPROVE HIGH TECHNOLOGY WEAPONS SYSTEMS FOR SALE TO THE ROC.

B. THE CURRENT ECONOMIC RECESSION AND THE RAPIDLY ESCALATING COST OF MANPOWER AND MODERN WEAPONRY LIMIT

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LATING COST OF MANPOWER AND MODERN WEAPONRY LIMIT

THE ROC'S ABILITY TO FINANCE NEEDED DEFENSE MODERNIZATION PROGRAMS. IN THE LONG RUN, HOWEVER, ASSUMING A RECOVERY OF THE WORLD'S ECONOMY AND CONTINUED INVESTOR CONFIDENCE AND STABILITY ON TAIWAN, ROC SHOULD BE ABLE TO FINANCE AN INCREASING PORTION OF ITS DEFENSE HARDWARE PURCHASES.

C. ROC HAS MADE IMPRESSIVE PROGRESS TOWARD DEFENSE SELF-SUFFICIENCY. MILITARY GRANT AID WAS TERMINATED AT END OF FY-73, AND FMS CREDIT IS SCHEDULED TO FALL TO \$5 MILLION IN FY-80. MANUFACTURING, CO-PRODUCTION AND REBUILD PROGRAMS ALSO CONTRIBUTE TO GROWING ROC DEFENSE SELF-SUFFICIENCY.

D. THE SECURITY ASSISTANCE PROGRAM AND THE MAAG HAVE BEEN AN ESSENTIAL PART OF DEVELOPMENT OF ROC FORCES TO CURRENT HIGH STATE OF DEFENSE READINESS. MAAG ADVISORY AND MONITORIAL FUNCTIONS CONTINUE TO SERVE US PURPOSES, AND FMS CREDIT PROGRAM STILL GIVES US SOME LEVERAGE IN STEERING ROC TOWARD PROCUREMENT OF MOST APPROPRIATE WEAPONS SYSTEMS.

E. THE MOST DISCERNIBLE PRC THREATS TO TAIWAN ARE AND AIR OFFENSIVE, NAVAL BLOCKADE, AND/OR SEABORNE INVASION. IN KEEPING WITH THIS THREAT ASSESSMENT, OUR SECURITY ASSISTANCE IS DIRECTED TOWARD AIR AND NAVAL DEFENSE, AND ANTI-SUBMARINE WARFARE.

END SUMMARY.

## 2. OBJECTIVES:

A. AS LONG AS PRESENT CIRCUMSTANCES PREVAIL, US INTERESTS ON TAIWAN INCLUDE:

- (1) A GOVERNMENT ON TAIWAN THAT IS FRIENDLY TO THE US,
- (2) ABSTENTION FROM FORCE, BY BOTH THE PRC AND THE ROC, TO SETTLE THE TAIWAN QUESTION.

B. THE MUTUAL DEFENSE TREATY BETWEEN THE US AND THE ROC PROVIDES THAT, IN THE EVENT OF ARMED ATTACK DIRECTED  
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AGAINST TAIWAN OR THE PESCADORES (PENGHU), THE US WOULD "ACT TO MEET THE COMMON DANGER IN ACCORDANCE WITH ITS CONSTITUTIONAL PROCESSES."

C. IN SUPPORT OF THE ABOVE INTERESTS AND TREATY OBLIGATION, AND WITHIN THE CONTEXT OF OVERALL US CHINA POLICY, SECURITY ASSISTANCE TO THE ROC IS DESIGNED  
(REF A) TO:

- (1) COMPLEMENT US POLITICAL AND SECURITY ARRANGEMENTS  
IN PROVIDING A DETERRENT AGAINST OUTSIDE ATTACK,
- (2) HAELP PRESERVE ROC ABILITY TO EXACT A SIGNIFI-  
CANT PRICE IN THE EVENT AN ATTACK DOES OCCUR, AND
- (3) HELP MAINTAIN A DEFENSIVE ROC MILITARY POSTURE  
WHICH REMAINS CREDIBLE IN THE EYES OF ROC OFFI-  
CIALS AND PUBLIC, BUT DOES NOT LEAD THE PRC TO  
CONCLUDE THAT ITS INTERESTS OR SECURITY ARE  
THREATENED.

3. SINCE ISSUANCE OF THE SHANGHAI COMMUNIQUE IN 1972,  
THE POLITICAL ASPECT OF DETERRENCE HAS BECOME INCREAS-  
INGLY IMPORTANT. SO LONG AS THE PRC VALUES HIGHLY THE  
IMPROVED STATE OF ITS RELATIONS WITH THE US (AND PROS-  
PECTS FOR FURTHER IMPROVEMENT), AND SO LONG AS PEKING HAS  
NO DOUBT ABOUT US INTEREST IN THE SECURITY OF TAIWAN AND  
IN THE ABSTENTION FROM FORCE TO SETTLE THE TAIWAN  
QUESTION, IS IS HIGHLY UNLIKELY THAT THE PRC WILL LAUNCH  
AN ATTACK AGAINST TAIWAN.

4. NOTWITHSTAND ING THE INCREASED SIGNIFICANCE OF THE  
POLITICAL DETERRENT, THE PURELY MILITARY DETERRENT  
REMAINS EXTREMELY IMPORTANT. SINCE A WELL-EQUIPPED,  
HIGHLY-TRAINED ROC DEFENSIVE FORCE REDUCES THE LIKELIHOOD  
THAT THE PRC WOULD IN SOME UNFORESEEN FUTURE SITUATION BE  
TEMPTED TO ATTACK TAIWAN, IT ALSO REDUCES THE LIKELIHOOD  
OF THE US BEING CALLED ON TO DEFEND TAIWAN. IN ADDITION,  
A STRONG ROC MILITARY FORCE IS ONE OF THE FACTORS WHICH  
CONTRIBUTE TO CONFIDENCE AND STABILITY ON TAIWAN AND,  
IN TURN, TO THE ISLAND'S ECONOMIC VIABILITY. FOR THESE  
REASONS, A STRONG ROC DEFENSIVE FORCE SUPPORTS US  
INTERESTS IN TAIWAN.

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5. THE PRC IS INTRODUCING ADVANCED NEW WEAPONS SYSTEMS  
INTO ITS INVENTORY AT A RATE WHICH THE ROC CANNOT HOPE  
TO MATCH. ALTHOUGH MODERNIZATION IS ESSENTIAL, DIRECT  
COMPETITION IN ALL WEAPONS SYSTEMS IS NEITHER BUDGETARILY  
POSSIBLE FOR THE ROC, NOR IS IT CONSISTENT WITH OUR OBJECT-  
IVES. US INTERESTS ARE SERVED BY A ROC DEFENSE POSTURE  
WHICH, WHILE NOT PROVIDING A COUNTER FOR EVERY PRC  
WEAPONS SYSTEM, DOES ENABLE THE ROC TO REACT STRONGLY TO  
THE MOST LIKELY PRC THREATS, AND TO INFLICT HEAVY  
LOSSES - I.E. A DETERRENT FORCE.

6. TO BE EFFECTIVE AS A DETERRENT, THE ROC DEFENSIVE  
POSTURE MUST BE CREDIBLE IN THE EYES OF THE PRC LEADER-  
SHIP. TO CONTRIBUTE EFFECTIVELY TO CONFIDENCE AND  
STABILITY ON TAIWAN, IT MUST BE CREDIBLE ALSO IN THE

EYES OF THE ROC LEADERSHIP AND THE PUBLIC ON TAIWAN. THE ROC MUST APPEAR TO HAVE THE ABILITY TO SUCCESSFULLY RESIST, OR AT LEAST TO INFLICT HEAVY LOSSES IN THE EVENT OF A PRC AIR OFFENSIVE, NAVAL BLOCKADE, AND/OR SEA-BORNE INVASION.

7. TENSIONS IN THE REGION WOULD HEIGHTEN CONSIDERABLY, AND US RELATIONS WITH PEKING WOULD BE JEOPARDIZED, IF THE PRC FELT ITSELF THREATENED FROM TAIWAN. FOR THIS REASON, OUR SECURITY ASSISTANCE EFFORT MUST BE DIRECTED TOWARD ASSURING THAT WEAPONS SYSTEMS ACQUIRED BY THE ROC ARE DEFENSIVE IN NATURE, AND FOR THE PURPOSE OF COUNTERING A REAL PRC THREAT. WEAPONS SYSTEMS SHOULD NOT BE WITHHELD FROM THE ROC SIMPLY BECAUSE THEY ARE TECHNOLOGICALLY ADVANCED; WHEN THEY ARE THE MOST COST-EFFECTIVE MEANS OF COUNTERING A REAL PRC THREAT, OR WHEN ABSENCE OF SUCH A WEAPONS SYSTEM WOULD CAST REAL DOUBT ON THE ROC DETERRENT, AND WHEN THEY DO NOT GIVE THE ROC A SIGNIFICANT OFFENSIVE CAPABILITY, SUCH HIGH TECHNOLOGY SYSTEMS SHOULD BE AUTHORIZED FOR THE ROC.

8. ECONOMIC FACTORS:

IN RECENT YEARS, TAIWAN'S IMPRESSIVE ECONOMIC GROWTH SHOWED PROMISE OF ENABLING THE ROC TO ASSUME AN INCREASING SHARE OF THE BURDEN OF FINANCING ITS DEFENSE NEEDS. IN 1973,  
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HOWEVER, TAIWAN BEGAN TO FEEL SERIOUS INFLATIONARY PRESSURES, AND BEGINNING IN 1974 THE ISLAND'S ECONOMY HAS SUFFERED SEVERELY FROM THE EFFECTS OF THE WORLD-WIDE RECESSION. TAIWAN'S GNP GROWTH RATE, WHICH HAD BEEN APPROXIMATELY 10 PERCENT ANNUALLY OVER THE PREVIOUS DECADE, AND 11.9 PERCENT IN 1973, FELL TO 6/10 OF ONE PERCENT IN 1974. ALTHOUGH FOREIGN EXCHANGE RESERVES WERE DOWN ONLY SLIGHTLY AT THE END OF 1974 FROM THE END OF 1973, THE ROC SUFFERED A TRADE DEFICIT IN 1974 OF US\$1.3 BILLION (ON A CUSTOMS BASIS).

9. UNTIL THERE IS A MARKED UPTURN IN TAIWAN'S ECONOMY, BUDGETARY CONSTRAINTS WILL FORCE THE ROC TO DELAY, REDUCE, OR FOREGO ENTIRELY THE PURCHASE OF SOME WEAPONS SYSTEMS WHICH ARE IMPORTANT TO THE MODERNIZATION OF THE ROC'S

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DEFENSE POSTURE. IN THE SHORT TERM, THEREFORE, THE GROC WILL VALUE ESPECIALLY HIGHLY THE CONTINUING ALLOCATIONS OF FMS CREDIT AND MAP TRAINING, AND MAAG ADVISORY ASSISTANCE.

10. IN THE LONGER TERM, THE RAPIDLY ESCALATING COST OF MANPOWER AND MODERN WEAPONRY WILL FORCE THE ROC CONTINUALLY TO MAKE HARD DECISIONS ON WEAPONS PRIORITIES AND FORCE LEVELS. ALSO, HEAVY DEMANDS FOR CAPITAL RESOURCES TO FINANCE CRITICALLY-NEEDED CIVIL DEVELOPMENT, INCLUDING THE GROC'S TEN MAJOR INFRASTRUCTURE DEVELOPMENT PROJECTS, WILL CONTINUE TO PLACE STRICTURES ON THE MILITARY BUDGET AVAILABLE FOR MODERNIZATION PROGRAMS. HOWEVER, ASSUMING A RECOVERY OF THE WORLD'S ECONOMY, AND CONTINUED INVESTOR CONFIDENCE AND STABILITY ON TAIWAN, THE ISLAND'S ECONOMY SHOULD CONTINUE TO PROVIDE A STRONG BASE FOR FINANCING AND INCREASING PORTION OF THE EXPENDITURES REQUIRED TO MAINTAIN THE ROC DEFENSE ESTABLISHMENT AT THE CREDIBLE DETERRENT LEVEL.

11. ROC DEFENSE EXPENDITURES ARE BUDGETED AT THE EQUIVALENT OF US\$1,118 MILLION FOR FY-75, AN INCREASE OF 27 PERCENT OVER FY-74. (THE TOTAL FY-75 GROC BUDGET SHOWED

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A 41 PERCENT INCREASE OVER FY-74.) DEFENSE OCCUPIES

55.7 PERCENT OF THE FY-75 CENTRAL GOVERNMENT BUDGET, AS COMPARED WITH 61.7 PERCENT IN FY-74. DEFENSE MANPOWER COSTS ARE INCREASING, AND ADVERSELY AFFECTING THE ROC DEFENSE BUDGET. CURRENTLY 57 PERCENT OF THE DEFENSE DOLLAR IS DEVOTED TO PERSONNEL COSTS AND SUPPORT, AND 26 PERCENT TO OPERATIONS AND MAINTENANCE, LEAVING APPROXIMATELY 17 PERCENT FOR INVESTMENT (IN-COUNTRY AND FOREIGN). IF PERSONNEL COST INCREASES ARE NOT STEMMED, AVAILABLE INVESTMENT FUNDS WILL NECESSARILY BE REDUCED.

12. PROGRESS TOWARD SELF-SUFFICIENCY:

THE ROC HAS MADE IMPRESSIVE PROGRESS TOWARD FULL RESPONSIBILITY FOR FINANCING ITS SELF-DEFENSE NEEDS. GRANT AID ASSISTANCE, WHICH AVERAGED \$200 MILLION PER YEAR BETWEEN FY-51 AND FY-62, WAS PROGRESSIVELY REDUCED AND FINALLY TERMINATED AT THE END OF FY-73, WITH THE EXCEPTION OF A CONTINUING \$500,000 ANNUAL ALLOCATION FOR TRAINING. BEGINNING WITH FY-74, ALL ROC DEFENSE MATERIEL REQUIREMENTS ARE BEING FINANCED ENTIRELY WITH CASH AND/OR FMS AND COMMERCIAL CREDIT. FMS CREDIT IS SCHEDULED TO FALL TO \$5 MILLION IN FY-80.

13. THE ROC HAS INITIATED, AND THE US HAS SUPPORTED, MANY PRODUCTION EFFORTS WHICH ARE MAKING A SIGNIFICANT CONTRIBUTION TO ROC DEFENSE SELF-SUFFICIENCY. THESE INCLUDE CO-PRODUCTION PROJECTS SUCH AS INDIVIDUAL AND CREW-SERVED WEAPONS, GENERAL PURPOSE COMBAT VEHICLES, ENGINES, HELICOPTERS AND FIGHTER AIRCRAFT. THE COMBINED SERVICE FORCE ARSENALS PRODUCE A VARIETY OF AMMUNITION AND OTHER DEFENSE ITEMS, AND ROC REBUILD FACILITIES ARE HIGHLY SUCCESSFUL IN KEEPING OLD EQUIPMENT IN USABLE CONDITION.

14. EFFECTIVENESS OF SECURITY ASSISTANCE:

OVER THE PAST TWENTY YEARS, AS US SECURITY ASSISTANCE TO THE ROC HAS BEEN REDUCED AND GRANT AID (EXCEPT FOR MANAGERIAL AND PROFESSIONAL TRAINING). TERMINATED, THE ROC ARMED SERVICES HAVE BEEN BUILT INTO A HIGHLY TRAINED FORCE  
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WITH AN INVENTORY OF WEAPONS WHICH ARE SUITED TO THE DEFENSE OF TAIWAN AND WHICH, ALTHOUGH NOT FULLY ADEQUATE TO MEET THE PRC THREAT, ARE SUFFICIENT TO PROVIDE A DEGREE OF DETERRENCE. ALTHOUGH LIP SERVICE IS STILL PAID THE "REUTURN TO THE MAINLAND" THEME, THE GROC APPRECIATES ITS INABILITY TO MOUNT AN EFFECTIVE ATTACK ON THE MAINLAND, AND APPEARS TO HAVE TACITLY ACCEPTED THAT ITS OBJECTIVE IS NOW KCONFINED TO PRESERVING ITS RULE OVER THE

TERRITORY IT CURRENTLY CONTROLS. TAIWAN'S HIGH STATE OF MILITARY READINESS, AND THE FACT THAT ITS WEAPONS INVENTORY IS PREDOMINANTLY DEFENSE-ORIENTED, HAVE CONTRIBUTED SIGNIFICANTLY TO STABILITY IN THIS AREA IN RECENT YEARS.

15. THE SECURITY ASSISTANCE PROGRAM, AND THE ADVICE AND MONITORING PROVIDED BY THE MAAG, HAVE BEEN AN ESSENTIAL ELEMENT IN THE DEVELOPMENT NOTED ABOVE. UNDER PRESENT CONDITIONS, THE CONTINUATION OF A MODEST SECURITY ASSISTANCE PROGRAM FOR TAIWAN WILL PROMOTE US INTERESTS AND OBJECTIVES. THE MAAG, AT ITS REDUCED LEVEL (50 US POSITIONS AT END OF FY-75), PLAYS AN IMPORTANT ADVISORY AND MONITORIAL ROLE. THE FORMER SERVES BOTH ROC AND US PURPOSES, IN ASSISTING THE ROC IN MAKING PRIORITY JUDGMENTS BETWEEN COMPETING WEAPONS SYSTEMS REQUIREMENTS. THE LATTER IS AND WILL CONTINUE TO BE IMPORTANT FROM OUR STANDPOINT, AS A MEANS OF ASSURING THAT WE HAVE ACCESS TO INFORMATION ON ROC USE OF MAP- AND FMS-PROVIDED EQUIPMENT AND TECHNOLOGY, AND ON ROC PLANS AND ACTIVITIES IN THE MILITARY FIELD IN GENERAL GIVEN, AMONG OTHER THINGS, OUR INTERESTS AS REPRESENTED BY THE SECURITY TREATY.

16. IN ADDITION TO THE PURELY ADVISORY FUNCTION OF MAAG, WE CAN AND DO INFLUENCE ROC DEFENSE ACQUISITIONS THROUGH THE USE OF FMS CREDITS. USED AS SEED MONEY, FMS CREDIT ALLOCATIONS GIVE THE MISSION SOME LEVERAGE IN STEERING THE ROC TOWARD PROCUREMENT OF WEAPONS SYSTEMS WHICH RESPOND MOST DIRECTLY TO THE PRIMARY THREATS AGAINST TAIWAN. FMS CREDITS ADDITIONALLY ASSURE THAT THE ROC BUYS US WEAPONS SYSTEMS, AN OBVIOUS ADVANTAGE TO US FROM A COMMERCIAL STANDPOINT, AND IN TERMS OF KEEPING ROC ARMAMENTS COMPATIBLE WITH THOSE OF THE US.

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17. OTHER US AND FOREIGN ASSISTANCE:

THE US AID PROGRAM TO THE ROC WAS TERMINATED IN 1965. THE ROC DOES NOT RECEIVE ECONOMIC OR MILITARY ASSISTANCE FROM ANY THIRD COUNTRY. THE ROC BORROWS FROM THE EXIM BANK FOR DEVELOPMENT PROJECTS, BUT FOR NOTHING THAT IS DEFENSE RELATED.

18. THREAT ASSESSMENT:

PRC MILITARY CAPABILITIES WHICH POSE THE MOST DISCERNIBLE THREAT TO TAIWAN ARE:

A. AN AIR OFFENSIVE, WHICH COULD CONSIST OF BOMBING RAIDS AGAINST TARGETS ON TAIWAN AND/OR AN ATTEMPT TO ESTABLISH AIR SUPERIORITY OVER TAIWAN AND/OR THE TAIWAN STRAIT. AN AIR OFFENSIVE MIGHT BE A PRELUDE

TO, OR A PART OF, ONE OR BOTH OF THE FOLLOWING  
SEPARATE THREATS.

B. NAVAL BOLCKADE: THE PRC HAS CURRENT CAPABILITY TO  
DEPLOY ABOUT 12 SUBMARINES INDEFINITELY, PLUS STYX  
MISSILE-EQUIPPED DESTROYERS, TO BLOCKADE TAIWAN PORTS.  
A NAVAL BLOCKADE COULD, OF COURSE,  
BE INSTITUTED WITHOUT THE PRELUDE OF AN AIR OFFEN-  
SIVE AS MENTIONED ABOVE.

C. SEABORNE INVASION: THIS IS THE ULTIMATE THREAT,  
WHICH WOULD INVOLVE ROC AIR AND NAVAL FORCES IN THE  
INITIAL PHASES, AND LATER ROC GROUND FORCES.

D. THE THREATS NOTED ABOVE ARE OBVIOUSLY NOT ISOLATED  
OR EXCLUSIVE, AND SOME WEAPONS SYSTEMS NOW OWNED OR  
TO BE ACQUIRED BY THE ROC WOULD BE A COUNTER TO MORE  
THAN ONE OF THE ABOVE THREATS. NOTABLE IN THIS  
REGARD ARE THE PROPOSED HARPOON SURFACE-TO-SURFACE  
MISSILE (SSM), PARA 19.B(2) BELOW, AND GUIDED BOMB  
SYSTEM, NEITHER OF WHICH HAS AS YET BEEN APPROVED FOR  
SALE TO THE ROC. SELECTIVE USE OF LASER-GUIDED  
BOMBS AGAINST SURFACE BLOCKADE SHIPS OR AN INVASION  
FLEET WOULD PROVE HIGHLY COST-EFFECTIVE IN REDUCING  
SORTIES REQUIRED PER TARGET, AND IN ENABLING AIRCRAFT  
TO STRIKE FROM GREATER DISTANCES. WITHOUT EITHER AND  
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EFFECTIVE SSM OR GUIDED BOMB CAPABILITY, THE ROC  
NAVY AND AIR FORCE WOULD FIND IT DIFFICULT IF NOT  
IMPOSSIBLE EFFECTIVELY TO COUNTER THE ACTIONS OF PRC  
STYX-EQUIPPED SHIPS.

19. ELEMENTS OF PLANNED SECURITY ASSISTANCE:

OUR SECURITY ASSISTANCE TO THE ROC IS DESIGNED TO SUPPORT  
THE ACQUISITION AND MODERNIZATION OF WEAPONS SYSTEMS WHICH  
ARE COST-EFFECTIVE COUNTERS TO THE ABOVE THREATS.  
BECAUSE A NUMBER OF THOSE WEAPONS SYSTEMS ARE USEFUL AGAINST  
MORE THAN ONE OF THE IDENTIFIED THREATS, WE DESCRIBE THEM  
IN THE FOLLOWING NARRATIVE AND TABLES UNDER THE CATEGORIES  
OF AIR DEFENSE, NAVAL DEFENSE, AND ANTI-SUBMARINE WARFARE.

A. AIR DEFENSE:

(1) THE FIRST PRIORITY ITEM IN FY 76-77 IS THE F-5E/B

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PROGRAM (\$83 MILLION). CREDITS PROVIDED IN FY-77 WILL COMPLETE OUR COMMITMENT UNDER THE F-5E/B MOU. ON COMPLETION OF THE PROGRAM, 100 F-5E'S WILL HAVE BEEN CO-ASSEMBLED/CO-PRODUCED, AND 12 F-5B'S WILL HAVE BEEN PURCHASED. THE ROC IS NOW PROPOSING AN EXTENSION OF THE F-5E PRODUCTION BEYOND THE FIRST 100, WITH AN INITIAL INCREMENT OF 20, WHICH WE SUPPORT. GROC WILL FINANCE EXTENDED F-5E PRODUCTION WITH CASH/COMMERCIAL CREDIT.

(2) \$1 MILLION IN FY-77 WILL PROVIDE THE FINAL FMS CREDIT PORTION OF A CASH-CREDIT MIX TO IMPROVE THE RADAR SYSTEM ON THE F-5, GIVING IT GREATER AIR ACQUISITION/INTERCEPT CAPABILITY.

(3) FUNDS ARE BUDGETED IN FY 76-78 FOR A SEMI-AUTOMATED AIR DEFENSE SYSTEM, WHICH IS URGENTLY NEEDED TO IMPROVE AIR DEFENSE RESPONSE TIME AND BATTLE MANAGEMENT. THE TOTAL CASH/CREDIT MIX IS ABOUT \$35 MILLION.

(4) \$3.8 MILLION IS PROVIDED IN FY 76-80 FOR COMMUNICATIONS-ELECTRONICS EQUIPMENT IN SUPPORT  
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OF JOINT TACTICAL OPERATIONS. THIS ITEM ALSO SUPPORTS NAVAL DEFENSE AND ANTI-SUBMARINE WARFARE.

(5) CREDIT IS PROVIDED IN FY-81 TO INITIATE A CASH/CREDIT MIX FOR DIRECT PURCHASE OF AN IMPROVED TACTICAL AIR COMBAT FIGHTER (PROBABLY F-16) TO EVENTUALLY REPLACE THE ROCAF'S RESIDUAL AGING F-100 AND F-104 AIRCRAFT, AND PROVIDE A DETERRENT TO THE PRC'S ADVANCED AIRCRAFT CAPABILITY.

(6) CREDIT FUNDS FOR CONVERSION OF THE ROC'S EXISTING HAWK BATTALION (NORTHERN TAIWAN) TO AN IMPROVED CONFIGURATION ARE INCLUDED IN THE FY 75-76 PROGRAMS. \$14 MILLION IN CREDITS IS PROVIDED IN THE TRANSITION QUARTER (TQ) AND FY 77-80 PROGRAMS FOR PROCUREMENT OF AN IMPROVED HAWK BATTALION (TOTAL CASH/CREDIT MIX--\$75 MILLION) URGENTLY NEEDED TO PROVIDE AIR DEFENSE FOR THE SOUTHERN HALF OF TAIWAN.

(7) \$11.3 MILLION IS INCLUDED IN FY 77 -80 FOR A CASH/CREDIT MIX FOR PURCHASE OF AT LEAST 96 UNITS OF VULCAN 20 MM ANTI-AIRCRAFT ARTILLERY. THIS WEAPON SYSTEM WILL REPLACE OBSOLETE 40 MM WEAPONS PROTECTING KEY MILITARY INSTALLATIONS. AN ADDITIONAL TWO BATTALIONS (128 UNITS) ARE REQUIRED.

B. NAVAL DEFENSE:

(1) \$9.5 MILLION IS PROVIDED IN THE FY 76-79 TIME FRAME FOR ACQUISITION OF THE IMPROVED SEA-CHAPARRAL SURFACE-TO-AIR MISSILE (SAM) FOR INSTALLATION ON ROCN DESTROYERS.

(2) THE GROC HAS USG CLEARANCE TO PURCHASE/CO-PRODUCE FIVE HIGH SPEED PATROL BOATS. (FMS CREDITS WILL NOT BE UTILIZED.) THESE WOULD BE EQUIPPED WITH MODERN LOW ALTITUDE ANTI-AIRCRAFT WEAPONS, SURFACE-TO-SURFACE MISSILES (SSM), AND ASSOCIATED FIRE CONTROL SYSTEM TO  
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COUNTER THE THREAT OF STYX MISSILE-EQUIPPED PRC SHIPS. \$11.9 MILLION IS PROVIDED IN THE FY 76-80 TIME FRAME FOR THE HARPOON SSM, WHICH THE GROC WANTS FOR USE NOT ONLY ON THE PATROL BOATS, BUT ALSO POSSIBLY ON SOME DESTROYERS AND FOR SHORE-BASED BATTERIES ON TAIWAN AND THE

PESCADORES. THE PATROL BOAT HAS LITTLE VALUE WITHOUT MISSILE ARMAMENT, AND INDICATIONS ARE THAT GROC WILL ATTEMPT TO BUY ITALIAN OTOMAT OR ISRAELI GABRIEL MISSILES IF HARPOON IS NOT RELEASED TO THEM. WE CONTINUE STRONGLY TO RECOMMEND THAT HARPOON BE APPROVED FOR SALE TO THE ROC.

C. ANTI-SUBMARINE WARFARE:

- (1) THE ROC IS BUYING, WITH CASH, 12 (POSSIBLY 16) S-2E ANTI-SUBMARINE AIRCRAFT.
- (2) \$2 MILLION IS PROVIDED IN THE FY-76 PROGRAM FOR SUBMARINE OVERHAUL, TO ENSURE MAXIMUM AVAILABILITY OF THE TWO ROC SUBMARINES FOR ASW TRAINING PURPOSES.
- (3) \$1 MILLION IN THE FY-79 PROGRAM IS FOR SEED MONEY IN A CASH/CREDIT MIX FOR ASW SENSORS--FIXED PASSIVE HYDROPHONE ARRAYS TO MONITOR APPROACHES TO PRINCIPAL TAIWAN HARBORS.

20. THE ABOVE BUDGETARY ITEMS ARE DISCUSSED IN GREATER DETAIL IN THE FY 77-81 RECOMMENDED POM REVISION, AND ARE CONSISTENT WITH THE JSOP. THEY ARE ITEMIZED BY PROJECT AND BY YEAR IN THE FOLLOWING TABLE.

ROC SECURITY ASSISTANCE \*6 76-81  
(MILLIONS OF US\$)

FY76 T/Q FY77 FY78 FY79 FY80 FY81

AIR DEFENSE:

F-5E/B	60.8	3.0	19.2			
F-5E RADAR MOD		2.0	1.0			

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CMI-AUTO AIR DEF	3.9	2.0	4.9	3.2		
COMMO-ELECT EQUIP	1.8	.5	.5	.5	.5	
AIR COMBAT FIGHTER					5.0	
HAWK MISSILE MOD/ACQ	4.5	1.0	4.0	5.0	3.0	1.0
ANTI-ACFT ARTILLERY		3.4	4.9	2.0	1.0	

NAVAL DEFENSE:

SHIP MISSILE (SAM)	2.5	1.0	1.0	2.5	1.5	1.0
SHIP MISSILE (SSM)	2.5	1.0	1.0	3.9	2.0	1.5

ANTI-SUBMARINE WARFARE:

SUBMARINE OVERHAUL	2.0
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ASW SENSORS				1.0				
TOTAL FMS CREDIT	80.0	8.0	35.0	20.0	10.0	5.0	5.0	

MAP TRAINING	.5	.1	.5	.5	.5	.5	.5	
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TOTAL SECURITY ASST	80.5	8.1	35.5	20.5	10.5	5.5	5.5	
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21. THE F-5E:B PROGRAM CONSTITUTES THE LARGEST PORTION OF FMS CREDITS AVAILABLE IN FY 76-77. REMAINING FMS CREDITS WILL BE USED IN CASH/CREDIT MIX FOR OTHER HIGH PRIORITY DEFENSE HARDWARE ACQUISITIONS: MODERNIZATION. HOWEVER, PLANNED FMS LEVELS WILL COVER ONLY A PORTION OF THE TOTAL COST OF THAT EQUIPMENT, NOT TO MENTION OTHER HIGH PRIORITY ITEMS WHICH WE ARE NOT ATTEMPTING TO FINANCE IN ANY WAY. IF ADDITIONAL FMS CREDIT CAN BE MADE AVAILABLE, WE PLAN TO UTILIZE IT AS INDICATED IN THE TABLE BELOW. ALL FUNDS WILL BE USED TO INCREASE CREDIT SUPPORT OF PROJECTS LISTED IN PARAS 19 AND 20 ABOVE.

PROPOSED ADDITIONAL FMS CREDITS  
(MILLIONS OF US\$)

	FY-77	FY-78	FY-79	FY-80	FY-81
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AIR DEFENSE:

AIR COMBAT FIGHTER					5.0
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HAWK MISSILE ACQ	2.0		2.0	4.0	
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SECRET

SECRET

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ANTI-ACFT ARTILLERY		5.1	5.0	4.0	
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NAVAL DEFENSE:

SHIP MISSILE (SAM)	1.5	3.0		0.5	
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SHIP MISSILE (SSM)	1.5	1.9	2.0	1.5	
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ANTI-SUBMARINE WARFARE:

ASW SENSORS				1.0	
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TOTAL	5.0	10.0	10.0	10.0	5.0
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UNGER

SECRET

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** REPORTS, FOREIGN RELATIONS, MILITARY ASSISTANCE PROGRAMS, INTELLIGENCE ASSESSMENTS, NUCLEAR WEAPONS, MILITARY CAPABILITIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 02 APR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** johnsorg  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975TAIPEI01644  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D750114-0312  
**From:** TAIPEI  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750487/aaaadbwu.tel  
**Line Count:** 644  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION PM  
**Original Classification:** SECRET  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 12  
**Previous Channel Indicators:** n/a  
**Previous Classification:** SECRET  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 STATE 018645, 75 (271854Z, 75 JAN 7  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** johnsorg  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 23 APR 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23 APR 2003 by GarlanWA>; APPROVED <17 NOV 2003 by johnsorg>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** SECURITY ASSISTANCE ASSESSMENT, FY 76-81 STATE PASS AID  
**TAGS:** MASS, TW, US  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006